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SUBJECT: CHILE PASSES HURDLES TO BECOME OECD MEMBER

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¶1. (SBU) Summary: On December 15 the Organization for Economic Cooperation and Development (OECD) invited Chile to become the 31st member of the organization (and the first South American OECD member). Chile completed the rigorous accession process in a record two and a half years, submitting to examination (and changing, as needed) its public policies in order to meet the standards set by the OECD "aquis", which includes close to 100 instruments, decisions and recommendations. Speaking at the event, Chilean Minister of Finance Velasco stated that for Chile, the OECD was "first and foremost a group of democratic nations," one that provided a "one-stop shop" of good policies. Speaking in Spanish to Chilean media, he stated that Chile would now be "sitting at the same table as an equal with the most significant nations of the world." Chile is the first country in the latest group of OECD aspirants to reach the finish gate in an accession process which has become significantly more rigorous over the years. The United States and others welcomed Chile's accession as a sign that the OECD was no longer "the Rich Man's club", but proof that best practices and sound economic policies can be shared by diverse countries with different income levels. End summary.

¶2. (U) In May 2007 the OECD Council invited Russia, Estonia, Slovenia and Chile to begin the accession process to become members of the OECD. Between 2007 and 2009, 20 OECD committees scrutinized Chile's public policies to determine whether they met the standards set out by the close to 100 OECD Decisions and Recommendations in the areas of agriculture, chemicals, consumer policy, the environment, fiscal affairs, financial markets, fisheries, information computer and communications policy, insurance and private pensions investment and multinational enterprises, maritime transport, scientific and technological policy and tourism.

¶3. (U) OECD aspirants are asked to commit to core principles such as full compliance with the Convention on Combating Bribery of Foreign Public Officials and full compliance with the principles of non-discrimination, transparency and "standstill" in accordance with the OECD Codes of Liberalization and Declaration on International Investment and Multinational Enterprises - to name just a few of the OECD instruments which constitute the OECD "aquis."

¶4. (U) OECD candidates are also expected to share "fundamental values," including a commitment to pluralist democracy based on the rule of law and respect of human rights. (Although there is no formal structure for examination of either democratic institutions or the situation of human rights, members may raise issue of concern during the accession process.) Reflecting the increase in the number of OECD instruments, the OECD accession process has become

considerably more rigorous for the current group of aspirant countries than that which previous entrants - Korea, Mexico, Poland, the Czech Republic, Slovakia and Hungary - experienced in the nineties.

¶5. (U) Meeting OECD standards required the Chilean government to put in place legislation in fiscal and tax affairs, anti-bribery, corporate governance and to establish environmental institutions. For a number of instruments, Chile requested and was given a one to three year time-frame for full implementation. The OECD will continue peer review and encouragement for Chile to continue to raise its standards even after accession. For example, the Trade Committee has asked Chile to provide a report after two years on progress it has made to improve its intellectual property rights protections.

¶6. (SBU) The accession process was smooth by all accounts, with Chile hastening to meet a self-imposed deadline of December 2009 in order to have OECD membership be one of the accomplishments of the Bachelet administration. The only discordant note came from Switzerland just prior to OECD Council consideration of the final recommendations on December 11. Switzerland approached other country representatives to raise its concern that claiming "developing country" status at the WTO was inconsistent with OECD membership, and proposing that Chile make a commitment similar to the one Mexico made during its accession, namely that it would "participate in other international organizations or groupings in a manner consistent with the aims and undertakings of the OECD and with its position as a member of the organization." Switzerland ultimately backed off its request for such a statement from Chile, but did include in its own Council statement the reminder that: "all members accept that OECD membership includes the readiness to strive towards continuous convergence and like-mindedness and, while respecting a country's development status, an increasing readiness to compete on a level playing field, and to participate in other international organizations or groupings in manner consistent with the aims and

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undertakings of the OECD and with their position as a member of the Organisation." Note: OECD members Mexico and Korea are no longer G-77 members, but - like Chile - are members of the General System of Trade Preferences in the WTO. End Note.

¶7. (U) The OECD Council met on December 15 to formalize the invitation. During a round of statements from OECD members, Chile's commitment to sound economic policies was hailed along with recognition of the many steps that it had taken to meet OECD standards. Many OECD members noted that they had significant relations with Chile, either in free trade agreements or other bilateral accords. Members also praised Chile's entry as proof that the OECD was about best practices, rather than GNP, and that the entry of Chile would enrich the debate, as well as provide a bridge to other countries in South America. USOECD Ambassador Kornbluh praised Chile's success in reducing poverty rates, and quoted President Obama's remarks that Chile provided an "example for all of us that good fiscal policy and good economic policy ultimately allows for prosperity - through good times and bad times." The U.S. statement also pointed out that OECD enlargement expanded the reach of the OECD and enhanced its future relevance.

¶8. (U) Accepting the invitation on behalf of President Bachelet, Finance Minister Velasco stated that the OECD, for Chile, was first and foremost a group of democratic countries, noting that Chile had been working over the last twenty years to build and strengthen its own democratic governance and respect for human rights. He said that Chile was committed to domestic and international cooperation as indispensable to achieving economic development and improving human well-being. He called the OECD a "one-stop" shop for good public policies. He also noted that Chile would be able to bring to OECD discussions its experience in fiscal policy, crisis management, pension reform and promoting social inclusions. In closing, he expressed the hope that Chile would serve as a bridge between OECD and non-members, "spreading the good work, but also bringing to the table the concerns of the emerging economies." Speaking to the Chilean media he said that Chile would now be able to sit as an equal at the table with the most significant countries of the world, but most importantly, countries committed to democracy and fighting poverty and inequality. Kornbluh